



STEWART & MACKERTICH WEALTH MANAGEMENT LTD.

CIN: U51109WB1993PLC060987

Vaibhav (5F), 4, Lee Road, Kolkata - 700 020

Tel: (91 33) 3051 5400 / 4011 5400 Fax: (91 33) 2289 3401

Email ID: investors@smifs.com Website: www.smifs.com

RISK MANAGEMENT POLICY

Policy Authored By:

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Company Secretary

Policy Reviewed on April, 2016



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1. Objective:

1.1 Stewart & Mackertich (hereinafter "The Company") broadly takes into consideration the regulatory requirement, Client Profile, Internal Risk Management Policy, Market Conditions etc., while setting up the exposure limits for and on behalf of its Clients.

1.2 The Policy envisage collection of pay in, margin, limits setting for exposures & turnover for clients, terminals, branches & sub-broker level, Monitoring of Debit Balances, Periodicity of such monitoring, periodic reconciliation wherein client has expressly accepted the balance confirmation, Steps taken for recovery of old debts, penal interest charged for long outstanding debts, Mechanism of pay-in and pay-out of funds and securities, Payment, Receipt of funds from / to clients, Policy of square off of positions.

2. Responsibility:

2.1 The Compliance Officer shall be responsible for the implementation and supervision of this Policy.

2.2 The Associate Compliance Officer and Risk Management Officer (RMS Officer) shall assist and report to the Compliance Officer on a daily basis in respect of the Client Codes Modified/Transferred.

2.3 The Compliance Officer shall take all necessary steps to monitor, document, analyze and report the findings to the Board Members as well as the relevant Stock Exchanges and/or regulatory bodies, in a time bound manner, as detailed hereunder and/or as mandated by the Stock Exchanges and/or regulatory bodies.

2.4 The Compliance Officer shall exercise his/her independent judgment and take adequate precautions to ensure implementation of an effective monitoring mechanism, based on the day-today activities of the clients, general market information and the facts and circumstances.

2.5 The Internal Auditor of the Company, shall review the implementation, documentation, effectiveness and review the actions taken during the period of audit and shall record the observations with respect to the same in their Internal Audit Reports.

2.6 The Board of Directors shall peruse, review and provide necessary guidance with regard to the "Risk Management Policy", periodically, for strengthening the processes.

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3. Exposure Limit for Client:

3.1 The exposure limits for a Client shall be set up considering the following parameters:

3.1.1 Exposure Limits to the Client will be provided based on the available margin in the Securities Account of the Client, maintained with Stewart & Mackertich.

3.1.2 The Client is not entitled to trade without adequate margin/ security and that it shall be his/her/its responsibility to ascertain in advance the margin/security requirements for his/her/its orders/trades/deals and to ensure that the required margins/security is made available to Stewart & Mackertich, in such form and manner as may be required by Stewart & Mackertich.

3.1.3 The Client shall have to maintain "upfront margin" in the form of Cash, Approved Securities and Bank Guarantee(s) for availing trading exposures in the Capital Market Segment and in the Derivative - Futures Market Segment.

3.1.4 The Exposure Limit will be a certain multiple of the available margin. Such multiplier will be as decided by Stewart & Mackertich from time to time and may vary from Client to Client.

3.1.5 Stewart & Mackertich may from time to time impose and vary limits on the orders that the Client can place through trading system of Stewart & Mackertich, including exposure limits, turnover limits, limits as to the number, value and/or kind of securities/contracts in respect of which orders can be placed, etc. Stewart & Mackertich may need to vary or reduce the limits or impose new limits urgently on the basis of the risk perception of Stewart & Mackertich and other factors considered relevant by Stewart & Mackertich, including but not limited to limits on account of Exchange/Regulatory directions/limits (such as Broker Level / Market Level Limits in security/contract specific/volume specific exposures etc.) and Stewart & Mackertich may be unable to inform the Client of such variation, reduction or imposition in advance. Stewart & Mackertich shall not be responsible for such variation, reduction or imposition or the Clients inability to route any order through the Trading System of Stewart & Mackertich on account of any such variation, reduction or imposition of limits.

3.1.6 On a case-to-case basis Stewart & Mackertich at its sole and absolute discretion, may allow higher exposure limits to the Client. Stewart & Mackertich shall have the prerogative to allow differential purchase and sell limits varying from Client to Client, depending upon credit worthiness, integrity and past conduct of each Client. Stewart & Mackertich shall have the





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prerogative to determine and prescribe rules for exposure limits and intra-day trading and any other product as well as differential exposure limits for various segments.

3.1.7 In case of Cash Segment, Stewart & Mackertich may at its sole and absolute discretion allow clean exposure limits upto certain amount to the Client without insisting for any credit balance and/or margin. Stewart & Mackertich shall decide the quantum of clean exposure limit. On case-to-case basis Stewart & Mackertich may at its sole and absolute discretion, give higher clean exposure limits to certain set of the Clients. Stewart & Mackertich reserves the right to withdraw clean exposure limit granted to the Client at any point of time at its sole and absolute discretion. The Client cannot raise any concern/dispute for the same.

3.1.8 Available margin for the purpose of granting exposure is calculated as a sum of free credit balance of the Client in the books of Stewart & Mackertich, margin in the form of funds, securities of the Clients available with Stewart & Mackertich.

3.1.9 The value of securities held in the demat account of the Client for which Power of Attorney is granted in favour of Stewart & Mackertich may be taken into consideration by Stewart & Mackertich at its sole and absolute discretion, for the purpose of granting exposure to the Clients. Stewart & Mackertich reserves the right to withdraw such basis to provide exposure limit, granted to the Client at any point of time at its sole and absolute discretion. The Client cannot raise any concern/dispute for the same.

3.1.10 The choice of the securities to be considered, as Stewart & Mackertich shall determine margin at its sole discretion from time to time and the Client shall abide by the same. However, in respect of transactions in the Derivative – Equity Futures Segment, the list of Approved Securities, considered for maintaining margin, shall be similar to that of list decided by the respective Stock Exchanges from time to time and / or as per the list decided by the sole discretion of Stewart & Mackertich.

3.1.11 While granting the exposure limit, margin in the form of securities, will be valued as per the latest available closing price on NSE or BSE or CSE after applying appropriate haircut as may be decided by Stewart & Mackertich at its sole discretion.

3.1.12 Stewart & Mackertich may from time to time depending on market conditions, profile and history of the Client, types and nature of scrip, etc. at its sole discretion charge/change the rate of haircut applicable on the securities given as margin, multiplier for granting exposure in Cash / Derivative segments and take such steps as Stewart & Mackertich may deem fit and appropriate.





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3.1.13 If the order of the Client is executed despite a shortfall in the available margin, the Client shall, whether or not Stewart & Mackertich intimate such shortfall in the margin to the Client, make up for the shortfall suo-moto immediately. The Client further agrees that he/she/it shall be responsible for all orders (including any orders that may be executed without the required margin in the account of the Client) and/or any claim/loss or damage arising out of the non-availability/shortage of margin or securities required by Stewart & Mackertich and/or Exchange and/or regulator.

3.1.14 Stewart & Mackertich is entitled to vary the form (i.e. the replacement of the margin/security in one form with the margin or security in any other form, say, in the form of money instead of shares) and/or security required to be deposited/made available, from time to time. The margin or security deposited by the Client with Stewart & Mackertich is not eligible for any interest unless specifically agreed to.

3.1.15 Stewart & Mackertich is entitled to include/appropriate any/all pay-out of funds and/or securities towards margin/securities without requiring specific authorizations for each pay-out. Stewart & Mackertich is entitled to transfer funds and/or securities from his account for one exchange and/or one segment of the exchange to his/her/its account for another exchange and/or other segment of the same exchange whenever applicable and found necessary by Stewart & Mackertich. The Client also agrees and authorizes Stewart & Mackertich to trade/adjust his/her/its margin/security lying in one Exchange and/or one segment of the Exchange/towards the margin/security/pay-in requirements on other exchange and/or another segment of the exchange.

3.1.16 In case the Client makes the payment of the margin/security/settlement obligation/debit in account through a Bank Instrument, Stewart & Mackertich shall be at liberty to give the benefit/credit for the same only on the realization of the funds from the said bank instrument etc. at the absolute discretion of Stewart & Mackertich.

3.1.17 Where the margin/security is made available by way of securities or any other property, Stewart & Mackertich is empowered to decline its acceptance as margin/security and/or to accept it at such reduced value as Stewart & Mackertich may deem fit by applying hair-cuts or by valuing it by marking it to market or by any other method as Stewart & Mackertich may deem fit in its absolute discretion.

3.1.18 The formats provided by the Clearing Corporation of the respective Stock Exchanges and / or decided by of Stewart & Mackertich for the issuance of Bank Guarantee(s) favouring Stewart & Mackertich and / or the Clearing Corporation of the respective Stock Exchanges, shall be considered for maintaining margin.





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3.1.19 The Client will have to abide by the exposure limit set by Stewart & Mackertich.

3.2 Stewart & Mackertich have devised separate procedures for setting up of Client's Exposure Limits for different market segments. These procedures for various market segments shall be as follows:

3.2.1 The following methodology shall be adhered for the purpose of calculating "Avail Exposure" for trading exposure in the **CAPITAL MARKET SEGMENT**:

3.2.1.1 "Available Cash Balance in Margin Ledger of Capital Market Segment ADD Value of Securities maintained in Margin Account of Capital Market Segment after applicable Haircut on previous days close ADD Available Free Credit Balances in Ledger Account of Capital Market Segment LESS 15% Markup Debit on Outstanding Un-cleared Sale / Purchase Obligations in the Capital Market Segment"

3.2.1.2 The Trading Exposure shall be a multiple of the "Available Exposure" and such multiple shall be decided by the sole discretion of Stewart & Mackertich. In case of wide fluctuations in the stock prices and volatility, the standard Haircut on Securities Value maintained in Margin Account as well as 15% Markup Debit on Outstanding Un-cleared Sale / Purchase Obligations can be changed at the sole discretion of Stewart & Mackertich.

3.2.2 The following methodology shall be adhered for the purpose of calculating "Avail Exposure" for trading in the **DERIVATIVE - FUTURES MARKET SEGMENT**:

3.2.2.1 "Available Cash Balance in Margin Ledger in the Derivative Market Segment ADD Value of Securities maintained in Margin Account of Derivative Market Segment after applicable Haircut on previous days close ADD Available Free Balances in Ledger Account of Derivative Market Segment"

3.2.2.2 The Trading Exposure in the Derivative - Futures Market Segment(s) shall be based on the Initial Margin and Exposure Margin as levied by the respective Stock Exchanges based on the VAR Margin percentage of individual indices and stocks. In case of wide fluctuations in the stock prices and volatility, the standard Haircut on Securities Value maintained in Margin Account can be revised upwards at the sole discretion of Stewart & Mackertich.

3.2.2.3 As per the present Exchange requirements, the Member Broker is required to maintain a 50:50 ratio between cash and collateral margin deposited with the Exchange. Stewart & Mackertich shall therefore have the prerogative to insist for margin in the similar ratio as mandated by the Exchange from its Clients and may not consider the value of securities over and above the cash component for the purpose of calculating margins shortfall. Sales made



